

RECEIVED  
LEGISLATIVE AUDITOR

2008 JAN -2 AM 11: 41

## TOWN OF SUNSET, LOUISIANA

### Financial Report

Year Ended June 30, 2007

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1/30/08

## TABLE OF CONTENTS

	Page
Independent Auditors' Report	1-2
 <b>BASIC FINANCIAL STATEMENTS</b>	
 <b>GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)</b>	
Statement of net assets	5
Statement of activities	6
 <b>FUND FINANCIAL STATEMENTS (FFS)</b>	
Balance sheet - governmental funds	9
Reconciliation of the governmental funds balance sheet to the statement of net assets	10
Statement of revenues, expenditures, and changes in fund balances- governmental funds	11
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities	12
Statement of net assets - proprietary fund	13
Statement of revenues, expenses, and changes in fund net assets - proprietary fund	14
Statement of cash flows - proprietary fund	15-16
Notes to basic financial statements	17-35
 <b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary comparison schedules:	
General Fund	37
Sales Tax Special Revenue Fund	38
 <b>OTHER SUPPLEMENTARY INFORMATION</b>	
General Fund - budgetary comparison schedule - revenues	40
General Fund - budgetary comparison schedule- expenditures	41-43
Enterprise Fund - departmental analysis of revenues and expenses	44
 <b>INTERNAL CONTROL AND COMPLIANCE</b>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	46-47
Summary schedule of current and prior year audit findings and corrective action plan	48-50

# KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES

C. Burton Kolder, CPA\*  
Russell F. Champagne, CPA\*  
Victor R. Slaven, CPA\*  
P. Troy Courville, CPA\*  
Gerald A. Thibodeaux, Jr., CPA\*  
Robert S. Carter, CPA\*  
Arthur R. Mixon, CPA\*

Tynes E. Mixon, Jr., CPA  
Allen J. LaBry, CPA  
Albert R. Leger, CPA, PFS, CSA\*  
Penny Angelle Scruggins, CPA  
Christine L. Cousin, CPA  
Mary T. Thibodeaux, CPA  
Marshall W. Guidry, CPA  
Alan M. Taylor, CPA  
James R. Roy, CPA  
Robert J. Metz, CPA  
Kelly M. Doucet, CPA  
Cheryl L. Bartley, CPA, CVA  
Mandy B. Self, CPA  
Paul L. Delcambre, Jr. CPA

Retired:  
Conrad O. Chapman, CPA\* 2006  
Harry J. Clostio, CPA 2007

\* A Professional Accounting Corporation

183 South Beadle Rd.  
Lafayette, LA 70508  
Phone (337) 232-4141  
Fax (337) 232-8660

113 East Bridge St.  
Breaux Bridge, LA 70517  
Phone (337) 332-4020  
Fax (337) 332-2867

133 East Waddill St.  
Marksville, LA 71351  
Phone (318) 253-9252  
Fax (318) 253-8681

1234 David Dr. Ste 203  
Morgan City, LA 70380  
Phone (985) 384-2020  
Fax (985) 384-3020

408 West Cotton Street  
Ville Platte, LA 70586  
Phone (337) 363-2792  
Fax (337) 363-3049

332 West Sixth Avenue  
Oberlin, LA 70655  
Phone (337) 639-4737  
Fax (337) 639-4568

200 South Main Street  
Abbeville, LA 70510  
Phone (337) 893-7944  
Fax (337) 893-7946

450 East Main Street  
New Iberia, LA 70560  
Phone (337) 367-9204  
Fax (337) 367-9208

1013 Main Street  
Franklin, LA 70538  
Phone (337) 828-0272  
Fax (337) 828-0290

## INDEPENDENT AUDITORS' REPORT

WEB SITE:  
[WWW.KCSRCPAS.COM](http://WWW.KCSRCPAS.COM)

The Honorable Cecil Lavergne, Mayor,  
and Members of the Board of Aldermen  
Town of Sunset, Louisiana

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Sunset, Louisiana, as of and for the year ended June 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Sunset, Louisiana's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of the Town of Sunset, Louisiana, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 5, 2007, on our consideration of the Town of Sunset, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

Member of:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

Member of:  
SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

The required supplementary information on pages 37 and 38 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Town of Sunset has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Sunset, Louisiana's basic financial statements. The other supplementary information on pages 40 through 43 is presented for purposes of additional analysis and is not a required part of the basic financial statements. All of the supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in relation to the basic financial statements taken as a whole.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Lafayette, Louisiana  
December 5, 2007

**BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS (GWFS)**

TOWN OF SUNSET, LOUISIANA

Statement of Net Assets  
June 30, 2007

	2007		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and interest-bearing deposits	\$ 139,524	\$ 42,204	\$ 181,728
Receivables, net	595	50,048	50,643
Internal balances	(19,814)	19,814	-
Due from other governmental units	46,605	-	46,605
Prepaid items	2,029	1,186	3,215
<b>Total current assets</b>	<u>168,939</u>	<u>113,252</u>	<u>282,191</u>
<b>Noncurrent assets:</b>			
<b>Restricted assets:</b>			
Cash and interest-bearing deposits	-	115,938	115,938
<b>Capital assets:</b>			
Land	75,841	50,210	126,051
Capital assets, net	440,120	1,152,620	1,592,740
<b>Total noncurrent assets</b>	<u>515,961</u>	<u>1,318,768</u>	<u>1,834,729</u>
<b>Total assets</b>	<u>684,900</u>	<u>1,432,020</u>	<u>2,116,920</u>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts, salaries and other payables	52,859	17,778	70,637
Bonds payable	20,000	23,398	43,398
Accrued interest	400	761	1,161
<b>Total current liabilities</b>	<u>73,259</u>	<u>41,937</u>	<u>115,196</u>
<b>Noncurrent liabilities:</b>			
Customers' deposits	-	62,581	62,581
Bonds payable	-	183,842	183,842
<b>Total noncurrent liabilities</b>	<u>-</u>	<u>246,423</u>	<u>246,423</u>
<b>Total liabilities</b>	<u>73,259</u>	<u>288,360</u>	<u>361,619</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	495,961	1,018,988	1,514,949
Restricted for debt service	25,671	29,198	54,869
Unrestricted	90,009	95,474	185,483
<b>Total net assets</b>	<u>\$ 611,641</u>	<u>\$ 1,143,660</u>	<u>\$ 1,755,301</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF SUNSET, LOUISIANA

Statement of Activities  
For the Year Ended June 30, 2007

Activities	Program Revenues			Net (Expense) Revenues and Changes in Net Assets			
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 292,602	\$ 93,704	\$ -	\$ -	\$ (198,898)	\$ -	\$ (198,898)
Public safety:							
Police	414,094	56,747	-	1,284	(356,063)	-	(356,063)
Fire	153,032	-	8,734	-	(144,298)	-	(144,298)
Streets	217,685	-	5,425	-	(212,260)	-	(212,260)
Interest on long-term debt	4,600	-	-	-	(4,600)	-	(4,600)
Total governmental activities	<u>1,082,013</u>	<u>150,451</u>	<u>14,159</u>	<u>1,284</u>	<u>(916,119)</u>	<u>-</u>	<u>(916,119)</u>
<b>Business-type activities:</b>							
Gas	189,874	306,516	-	-	-	116,642	116,642
Water	179,100	200,156	-	-	-	21,056	21,056
Sewer	120,376	139,889	-	158,481	-	177,994	177,994
Total business-type activities	<u>489,350</u>	<u>646,561</u>	<u>-</u>	<u>158,481</u>	<u>-</u>	<u>315,692</u>	<u>315,692</u>
<b>Total</b>	<b>\$ 1,571,363</b>	<b>\$ 797,012</b>	<b>\$ 14,159</b>	<b>\$ 159,765</b>	<b>(916,119)</b>	<b>315,692</b>	<b>(600,427)</b>
<b>General revenues:</b>							
<b>Taxes -</b>							
Property taxes, levied for general purposes					83,269	-	83,269
Property taxes, levied for debt service					22,832	-	22,832
Sales and use taxes, levied for general purposes					266,550	-	266,550
Franchise taxes					138,965	-	138,965
Grants and contributions not restricted to specific programs -							
State sources					54,159	-	54,159
Interest and investment earnings					388	1,882	2,270
Miscellaneous					18,808	-	18,808
Special item - insurance reimbursement for gym fire					49,058	-	49,058
Transfers					169,612	(169,612)	-
Total general revenues and transfers					<u>803,641</u>	<u>(167,730)</u>	<u>635,911</u>
Change in net assets					(112,478)	147,962	35,484
Net assets - July 1, 2006					724,119	995,698	1,719,817
Net assets - June 30, 2007					<u>\$ 611,641</u>	<u>\$ 1,143,660</u>	<u>\$ 1,755,301</u>

The accompanying notes are an integral part of the basic financial statements

**FUND FINANCIAL STATEMENTS (FFS)**

## **MAJOR FUND DESCRIPTIONS**

### **General Fund**

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

### **Special Revenue Fund**

#### **Sales Tax Fund -**

To account for the receipt and use of proceeds of the Town's 1% sales and use tax. The tax is dedicated to constructing, acquiring, extending, improving and/or maintaining sewers and sewerage disposal works, waterworks, public streets, roads, alleys, sidewalks, and drainage facilities, including the purchase of equipment therefore. The tax proceeds may also be funded into bonds or used to pay any bonded or funded indebtedness of the Town incurred for such capital purposes, to the extent and in the manner provided by state law.

### **Debt Service Fund**

#### **General Obligation Bonds Fund -**

To accumulate monies for payment of \$200,000 of general obligation bonds, Series 1988, which are due in annual installments, plus interest, through maturity in 2008. Debt service is financed from the collection of the Town's 1.88 property tax millage.

### **Enterprise Fund**

#### **Utility Fund -**

To account for the provision of water, sewerage and gas services to residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

TOWN OF SUNSET, LOUISIANA

Balance Sheet  
Governmental Funds  
June 30, 2007

ASSETS	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total</u>
Cash and interest-bearing deposits	\$ 86,633	\$16,967	\$ 35,924	\$ 139,524
Receivables:				
Taxes	306	-	278	584
Accrued interest	11	-	-	11
Due from other governmental units	46,605	-	-	46,605
Due from other funds	10,131	-	-	10,131
Prepaid items	<u>2,029</u>	<u>-</u>	<u>-</u>	<u>2,029</u>
Total assets	<u>\$ 145,715</u>	<u>\$16,967</u>	<u>\$ 36,202</u>	<u>\$ 198,884</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 14,319	\$ -	\$ -	\$ 14,319
Salaries payable	14,641	-	-	14,641
Cash bonds payable	17,535	-	-	17,535
Accrued liabilities	6,364	-	-	6,364
Due to other funds	<u>19,814</u>	<u>-</u>	<u>10,131</u>	<u>29,945</u>
Total liabilities	<u>72,673</u>	<u>-</u>	<u>10,131</u>	<u>82,804</u>
Fund balances -				
Reserved for prepaid items	2,029	-	-	2,029
Reserved for debt service	-	-	26,071	26,071
Unreserved	<u>71,013</u>	<u>16,967</u>	<u>-</u>	<u>87,980</u>
Total fund balances	<u>73,042</u>	<u>16,967</u>	<u>26,071</u>	<u>116,080</u>
Total liabilities and fund balances	<u>\$ 145,715</u>	<u>\$16,967</u>	<u>\$ 36,202</u>	<u>\$ 198,884</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF SUNSET, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Assets  
June 30, 2007

Total fund balances for governmental funds at June 30, 2007		\$ 116,080
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	\$ 75,841	
Buildings, net of \$279,041 accumulated depreciation	83,607	
Improvements, net of \$35,770 accumulated depreciation	64,189	
Machinery and equipment net of \$758,859 accumulated depreciation	<u>292,324</u>	515,961
Liabilities at June 30, 2007:		
Bonds payable	(20,000)	
Accrued interest payable	<u>(400)</u>	<u>(20,400)</u>
Total net assets of governmental activities at June 30, 2007		<u>\$ 611,641</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF SUNSET, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances-  
Governmental Funds  
For the Year Ended June 30, 2007

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total</u>
<b>Revenues:</b>				
Taxes	\$ 222,234	\$ 266,550	\$ 22,832	\$ 511,616
Licenses and permits	93,704	-	-	93,704
Intergovernmental	69,602	-	-	69,602
Fines and forfeits	56,747	-	-	56,747
Miscellaneous	67,866	85	303	68,254
<b>Total revenues</b>	<u>510,153</u>	<u>266,635</u>	<u>23,135</u>	<u>799,923</u>
<b>Expenditures:</b>				
Current -				
General government	276,770	2,706	22	279,498
Public safety:				
Police	394,316	-	-	394,316
Fire	80,824	-	-	80,824
Streets	209,452	-	-	209,452
Capital outlay	10,407	-	-	10,407
Debt service	-	-	24,200	24,200
<b>Total expenditures</b>	<u>971,769</u>	<u>2,706</u>	<u>24,222</u>	<u>998,697</u>
<b>Excess (deficiency) of revenues     over expenditures</b>	<u>(461,616)</u>	<u>263,929</u>	<u>(1,087)</u>	<u>(198,774)</u>
<b>Other financing sources (uses):</b>				
Transfers in	436,741	-	2,400	439,141
Transfers out	-	(269,529)	-	(269,529)
<b>Total other financing sources (uses)</b>	<u>436,741</u>	<u>(269,529)</u>	<u>2,400</u>	<u>169,612</u>
<b>Net changes in fund balances</b>	<u>(24,875)</u>	<u>(5,600)</u>	<u>1,313</u>	<u>(29,162)</u>
Fund balances beginning	<u>97,917</u>	<u>22,567</u>	<u>24,758</u>	<u>145,242</u>
Fund balances, ending	<u>\$ 73,042</u>	<u>\$ 16,967</u>	<u>\$ 26,071</u>	<u>\$ 116,080</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF SUNSET, LOUISIANA

Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2007

Total net changes in fund balances at June 30, 2007 per Statement of Revenues, Expenditures and Changes in Fund Balances	\$ (29,162)
The change in net assets reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay which is considered expenditures on Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 10,407
Depreciation expense for the year ended June 30, 2007	<u>(113,323)</u> (102,916)
Principal paid on long term debt considered as an expenditure on Statement of Revenues, Expenditures and Changes in Fund Balances	20,000
Difference between interest on long-term debt on modified accrual basis versus interest on long-term debt on accrual basis	<u>(400)</u>
Total changes in net assets at June 30, 2007 per Statement of Activities	<u>\$ (112,478)</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF SUNSET, LOUISIANA

Statement of Net Assets  
 Proprietary Fund  
 June 30, 2007

ASSETS

Current assets:	
Cash and interest-bearing deposits, at cost	\$ 42,204
Receivables:	
Accounts receivable	29,376
Unbilled utility receivables	19,721
Accrued interest receivable	59
Other receivables	892
Due from other funds	19,814
Prepaid Items	<u>1,186</u>
Total current assets	<u>113,252</u>
Noncurrent assets:	
Restricted assets -	
Cash and interest-bearing deposits, at cost	115,938
Capital assets:	
Land	50,210
Other capital assets, net of accumulated depreciation	<u>1,152,620</u>
Total noncurrent assets	<u>1,318,768</u>
Total assets	<u>1,432,020</u>

LIABILITIES

Current liabilities:	
Accounts payable	16,975
Other liabilities	803
Payable from restricted assets -	
Revenue bonds	23,398
Accrued interest	<u>761</u>
Total current liabilities	<u>41,937</u>
Noncurrent liabilities:	
Customers' deposits	62,581
Revenue bonds payable	<u>183,842</u>
Total noncurrent liabilities	<u>246,423</u>
Total liabilities	<u>288,360</u>

NET ASSETS

Invested in capital assets, net of related debt	1,018,988
Restricted for debt service	29,198
Unrestricted	<u>95,474</u>
Total net assets	<u>\$1,143,660</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF SUNSET, LOUISIANA

Statement of Revenues, Expenses, and Changes in Fund Net Assets -  
Proprietary Fund  
For the Year Ended June 30, 2007

Operating revenues:	
Charges for services -	
Gas sales	\$ 299,238
Water sales	170,410
Sewer charges	135,635
Miscellaneous	<u>41,278</u>
Total operating revenues	<u>646,561</u>
Operating expenses:	
Gas department	189,874
Water department	179,100
Sewer department	<u>110,569</u>
Total operating expenses	<u>479,543</u>
Operating income	<u>167,018</u>
Nonoperating revenues (expenses):	
Interest income	1,882
Interest expense	<u>(9,807)</u>
Total nonoperating revenues (expenses)	<u>(7,925)</u>
Income before contributions and transfers	159,093
Capital contributions	158,481
Transfers out	<u>(169,612)</u>
Change in net assets	147,962
Net assets, beginning	<u>995,698</u>
Net assets, ending	<u>\$ 1,143,660</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF SUNSET, LOUISIANA

Statement of Cash Flows  
 Proprietary Fund  
 For the Year Ended June 30, 2007

Cash flows from operating activities:	
Receipts from customers	\$ 604,114
Payments to suppliers	(342,121)
Payments to employees	(59,440)
Other receipts	<u>41,278</u>
Net cash provided by operating activities	<u>243,831</u>
Cash flows from noncapital financing activities:	
Cash paid to other funds	(29,455)
Transfers to other funds	<u>(169,612)</u>
Net cash provided by noncapital financing activities	<u>(199,067)</u>
Cash flows from capital and related financing activities:	
Principal paid on revenue bonds payable	(22,370)
Interest and fiscal charges paid on revenue bonds payable	(9,516)
Proceeds from meter deposits	16,600
Refund of meter deposits	(4,541)
Acquisition of property, plant and equipment	(175,431)
Proceeds from grants	<u>158,481</u>
Net cash used by capital and related financing activities	<u>(36,777)</u>
Cash flows from investing activities:	
Interest on investments	<u>1,844</u>
Net cash used by investing activities	<u>1,844</u>
Net decrease in cash and cash equivalents	9,831
Cash and cash equivalents, beginning of period	<u>148,311</u>
Cash and cash equivalents, end of period	<u>\$ 158,142</u>

(continued)

TOWN OF SUNSET, LOUISIANA

Statement of Cash Flows  
 Proprietary Fund - (Continued)  
 For the Year Ended June 30, 2007

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 167,018
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	78,177
Changes in current assets and liabilities:	
Decrease in accounts receivable	10,062
Increase in unbilled utility receivable	(11,231)
Increase in other receivables	(892)
Decrease in accounts payable	(12)
Increase in other liabilities	<u>709</u>
Net cash provided by operating activities	<u>\$ 243,831</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:	
Cash and cash equivalents, beginning of period -	
Cash and interest-bearing deposits - unrestricted	\$ 29,196
Cash and interest-bearing deposits - restricted	<u>119,115</u>
Total cash and cash equivalents	<u>148,311</u>
Cash and cash equivalents, end of period -	
Cash and interest-bearing deposits - unrestricted	42,204
Cash and interest-bearing deposits - restricted	<u>115,938</u>
Total cash and cash equivalents	<u>158,142</u>
Net increase	<u>\$ 9,831</u>

The accompanying notes are an integral part of the basic financial statements.

## TOWN OF SUNSET, LOUISIANA

### Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the Town of Sunset (Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

A. Financial Reporting Entity

The Town of Sunset was incorporated under the provisions of the Lawrason Act. The Town operates under the Mayor-Board of Aldermen form of government.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity for financial reporting purposes. Under provisions of this Statement, this report includes all funds that are controlled by or dependent on the Town executive and legislative branches (the Mayor and Board of Aldermen). Control by or dependence on the Town was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility. The Town has no components and therefore, none are presented in the government-wide financial statements.

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

## TOWN OF SUNSET, LOUISIANA

### Notes to Basic Financial Statements (Continued)

#### Fund Financial Statements

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The various funds of the Town are classified into two categories: governmental and proprietary. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type: and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The major funds of the Town are described below:

#### Governmental Funds -

##### General Fund

The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

##### Special Revenue Fund

##### Sales Tax Fund -

The Sales Tax Fund is used to account for the proceeds of a one percent sales and use tax that is legally restricted to expenditures for specific purposes.

##### Debt Service Fund – General Obligation Bonds Fund –

The General Obligation Bonds Fund is used to accumulate monies for payment of the Town's general obligation bonds, which are being financed by ad valorem tax revenues.

## TOWN OF SUNSET, LOUISIANA

### Notes to Basic Financial Statements (Continued)

Proprietary Fund -

Enterprise Fund

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town of Sunset's enterprise fund is the Utility Fund.

#### C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net assets and the statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

## TOWN OF SUNSET, LOUISIANA

### Notes to Basic Financial Statements (Continued)

#### Basis of Accounting

In the government-wide statement of net assets and statement of activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

#### D. Assets, Liabilities and Equity

##### Cash and interest-bearing deposits

For purposes of the statement of net assets, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposits of the Town. For the purpose of the proprietary fund statement of cash flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

##### Interfund receivables and payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets.

## TOWN OF SUNSET, LOUISIANA

### Notes to Basic Financial Statements (Continued)

#### Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales and use taxes and franchise taxes. Business-type activities report customer's utility service receivables as their major receivables. Uncollectible utility service receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. The allowance for uncollectibles for customers' utility receivables was \$3,465 at June 30, 2007. Unbilled utility service receivables resulting from utility services rendered between the date of meter reading and billing and the end of the month, are recorded at year-end.

#### Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide or financial statements. Capital assets are capitalized at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Town maintains a threshold level of \$1,000 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Prior to July 1, 2001, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Equipment	5 years
Utility system and improvements	20-40 years
Infrastructure	20 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

## TOWN OF SUNSET, LOUISIANA

### Notes to Basic Financial Statements (Continued)

#### Restricted Assets

Restricted assets include cash and interest-bearing deposits of the proprietary fund that are legally restricted as to their use. The restricted assets are related to the revenue bond accounts and utility meter deposits.

#### Long-term debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of the revenue bonds payable and utility meter deposits payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

#### Compensated Absences

Vacation and sick leave are recorded as expenditures of the period in which paid. Vacation must be taken in the year accrued and cannot be carried over. Sick leave is accumulated by employees at a rate dependent upon number of years of employment. Although sick leave is available for employees when needed, it does not vest nor is it payable at termination of employment. Therefore, no liability has been recorded in the accounts as of June 30, 2007.

#### Equity Classifications

In the government-wide statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

## TOWN OF SUNSET, LOUISIANA

### Notes to Basic Financial Statements (Continued)

- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

#### E. Revenues, Expenditures, and Expenses

##### Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

##### Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

- Governmental Funds - By Character
- Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

##### Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

TOWN OF SUNSET, LOUISIANA

Notes to Basic Financial Statements (Continued)

F. Revenue Restrictions

The Town has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Sales Tax	See Note 3
Utility Fund Revenue	Debt Service and Utility Operations

The Town uses unrestricted resources only when restricted resources are fully depleted.

G. Budget and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 15, the Town Clerk submits to the Mayor and Board of Aldermen a proposed operating budget for the fiscal year commencing the following July 1.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of a resolution prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as amended by the Board of Aldermen. Such amendments were not material in relation to the original appropriations.

TOWN OF SUNSET, LOUISIANA

Notes to Basic Financial Statements (Continued)

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(2) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. The taxes are based on assessed values determined by the Tax Assessor of St. Landry Parish and are collected by the Sheriff. Taxes were billed to taxpayers by the Assessor in November and are due by December 31, becoming delinquent on January 1 of the following year. Town property tax revenues are budgeted in the year billed.

For the year ended June 30, 2007, taxes of 8.94 mills were levied on property with assessed valuations totaling \$12,423,000 and were dedicated for general corporate purposes (7.06 mills), and debt services (1.88 mills).

Gross taxes levied for the current fiscal year totaled \$111,062. The taxes are remitted to the Town net of deductions for Pension Fund contributions.

(3) Sales and Use Tax

Proceeds of a 1 percent sales and use tax (accounted for in the Sales Tax Fund - a special revenue fund) levied by the Town of Sunset (2007 collections \$266,550) are dedicated to the following purposes:

Constructing and purchasing fire department stations and equipment; opening, constructing, and improving drains, drainage canals, and subsurface drainage; constructing, acquiring, or improving any work of public permanent improvement; and purchasing and acquiring all equipment and furnishing for the public works, buildings, improvement, and facilities of the town of Sunset.

TOWN OF SUNSET, LOUISIANA

Notes to Basic Financial Statements (Continued)

(4) Cash and Interest-Bearing Deposits

Under state law, the Town may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Town may invest in certificates and time deposits of the state banks organized under Louisiana law and national banks having principal offices in Louisiana. At June 30, 2007, the Town had cash and interest-bearing deposits (book balances) totaling \$297,666 as follows:

Demand deposits	\$ 129,138
Money market accounts	106,708
Time deposits	<u>61,820</u>
Total	<u>\$ 297,666</u>

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Town's deposits may not be recovered or will not be able to recover collateral securities that are in the possession of an outside party. These deposits are stated at cost, which approximates market. Under state law, these deposits, (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the Town or the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at June 30, 2007, are secured as follows:

Bank balances	<u>\$ 314,644</u>
Federal deposit insurance	200,000
Pledged securities	<u>114,644</u>
Total	<u>\$ 314,644</u>

As of June 30, 2007, the Town's total bank balances were fully insured and collateralized with securities held in the name of the Town by the pledging financial institution's agent and, therefore, not exposed to custodial credit risk.

TOWN OF SUNSET, LOUISIANA

Notes to Basic Financial Statements (Continued)

(5) Receivables

Receivables at June 30, 2007 of \$50,643 consist of the following:

	Governmental Activities		Business-type	Total
	General	Debt Service	Activities	
	Fund	Fund	Utility	
Ad valorem taxes	\$ 306	\$ 278	\$ -	\$ 584
Accounts	-	-	29,376	29,376
Unbilled	-	-	19,721	19,721
Other	11	-	951	962
Totals	<u>\$ 317</u>	<u>\$ 278</u>	<u>\$ 50,048</u>	<u>\$ 50,643</u>

(6) Due from Other Governmental

Due from other governmental units consisted of the following:

	Governmental
	Activities
Franchise Fees	\$ 31,670
Beer Tax	1,973
Racino Revenue	4,228
Fire Insurance Rebate	8,734
Total	<u>\$ 46,605</u>

(7) Restricted Assets

Restricted assets consisted of the following at June 30, 2007:

	Business-Type
	Activities
Customers' deposits	\$ 62,581
Revenue bond sinking fund account	61
Revenue bond depreciation and contingency	36,643
Sewer reserve account	16,653
Total restricted assets	<u>\$ 115,938</u>

TOWN OF SUNSET, LOUISIANA

Notes to Basic Financial Statements (Continued)

(8) Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance 07/01/06	Additions	Deletions	Balance 06/30/07
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land and construction in progress	\$ 75,841	\$ -	\$ -	\$ 75,841
Other capital assets:				
Buildings	362,648	-	-	362,648
Infrastructure	99,959	-	-	99,959
Equipment	1,040,776	10,407	-	1,051,183
Totals	<u>1,579,224</u>	<u>10,407</u>	<u>-</u>	<u>1,589,631</u>
Less accumulated depreciation				
Buildings	265,808	13,233	-	279,041
Infrastructure	31,445	4,325	-	35,770
Equipment	663,094	95,765	-	758,859
Total accumulated depreciation	<u>960,347</u>	<u>113,323</u>	<u>-</u>	<u>1,073,670</u>
<b>Governmental activities, capital assets, net</b>	<u>\$ 618,877</u>	<u>\$ (102,916)</u>	<u>\$ -</u>	<u>\$ 515,961</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 50,210	\$ -	\$ -	\$ 50,210
Other capital assets:				
Utility system and extensions	5,360,193	175,431	-	5,535,624
Machinery and equipment	38,001	-	3,200	34,801
Totals	<u>5,448,404</u>	<u>175,431</u>	<u>3,200</u>	<u>5,620,635</u>
Less accumulated depreciation				
Utility system and extensions	4,306,148	73,342	-	4,379,490
Machinery and equipment	36,679	4,836	3,200	38,315
Total accumulated depreciation	<u>4,342,827</u>	<u>78,178</u>	<u>3,200</u>	<u>4,417,805</u>
<b>Business-type activities, capital assets, net</b>	<u>\$1,105,577</u>	<u>\$ 97,253</u>	<u>\$ -</u>	<u>\$1,202,830</u>

TOWN OF SUNSET, LOUISIANA

Notes to Basic Financial Statements (Continued)

Depreciation expense was charged to governmental activities as follows:

General government	\$ 13,104
Police	19,778
Fire	72,207
Streets	<u>8,233</u>
Total depreciation expense	<u>\$ 113,322</u>

Depreciation expense was charged to business-type activities as follows:

Water	\$ 44,033
Gas	12,160
Sewer	<u>21,985</u>
Total depreciation expense	<u>\$ 78,178</u>

(9) Accounts, Salaries, and Other Payables

The accounts, salaries, and other payables consisted of the following at June 30, 2007:

	Governmental Activities	Business-Type Activities	Total
Accounts	\$ 14,319	\$ 16,975	\$ 31,294
Salaries	14,641	-	14,641
Cash bonds	17,535	-	17,535
Other liabilities	<u>6,364</u>	<u>803</u>	<u>7,167</u>
Totals	<u>\$ 52,859</u>	<u>\$ 17,778</u>	<u>\$ 70,637</u>

TOWN OF SUNSET, LOUISIANA

Notes to Basic Financial Statements (Continued)

(10) Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2007:

	<u>Governmental Activities</u> General Obligation Bonds	<u>Business-type Activities</u> Revenue Bonds
Long-term debt payable, July 1, 2006	\$ 40,000	\$ 229,610
Long-term debt issued	-	-
Long-term debt retired	<u>(20,000)</u>	<u>(22,370)</u>
Long-term debt payable, June 30, 2007	<u>\$ 20,000</u>	<u>\$ 207,240</u>

Long-term debt payable at June 30, 2007 is comprised of the following:

General Obligation bonds -

\$200,000 General Obligation Bonds, dated April 1, 1988; due in annual installments of \$5,000 to \$20,000 through April 1, 2008; interest at 7.96 percent; payable from property tax revenues \$20,000

Revenue bonds -

\$410,000 1995 Sewer Utility Revenue Bond, dated February 17, 1995; due in monthly installments of \$2,681 through February 2015; interest at 4.5 percent; secured by Utility Fund revenues \$207,240

The long-term debt is due as follows:

Year ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal payments</u>	<u>Interest payments</u>	<u>Principal payments</u>	<u>Interest payments</u>
2008	\$ 20,000	\$ 1,600	\$ 23,398	\$ 8,779
2009	-	-	24,473	7,704
2010	-	-	25,597	6,580
2011	-	-	26,773	5,404
2012	-	-	28,003	4,174
2013-2015	-	-	<u>78,996</u>	<u>4,676</u>
Total	<u>\$ 20,000</u>	<u>\$ 1,600</u>	<u>\$ 207,240</u>	<u>\$ 37,317</u>

TOWN OF SUNSET, LOUISIANA

Notes to Basic Financial Statements (Continued)

(11) Flow of Funds: Restrictions on Use – Utilities Revenues

Utility Revenue Bonds:

Under the terms of the Bond indenture on outstanding Public Utility Bonds dated February 17, 1995, all income and revenues (hereinafter referred to as revenue) of every nature, earned or derived from operation of the Utility System, are pledged and dedicated to the retirement of said bonds, and are to be set aside into the following special funds:

Each month, there will be set aside into a fund called the "Bond and Interest Sinking Fund" the amount of \$1,538 each month. Such transfers shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due and may be used only for such payments.

There shall also be set aside into a "Bond Reserve Fund" the amount of \$135 each month until the amount of \$32,177 has been accumulated therein. Such amounts may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Bond and Interest Sinking Fund and as to which there would otherwise be default.

Funds will also be set aside into a "Contingency Fund" at the rate of \$243 each month. Money in this fund may be used for the making of extraordinary repairs or replacements to the system which are necessary to keep the system in operating condition and for which money is not available as a maintenance and operation expense. Money in this fund may also be used to pay principal or interest on the bonds falling due at any time there is not sufficient money for payment in the other bond funds.

All of the revenues received in any fiscal year and not required to be paid in such fiscal year into any of the above noted funds shall be regarded as surplus and may be used for any lawful corporate purpose.

The Town of Sunset was in compliance with all significant limitations and restrictions in the bond indentures at June 30, 2007.

TOWN OF SUNSET, LOUISIANA

Notes to Basic Financial Statements (Continued)

(12) Employee Retirement

All employees are members of one of the following retirement systems:

Federal Social Security System  
Municipal Employees' Retirement System of Louisiana  
Municipal Police Employees' Retirement System of Louisiana

Pertinent information relative to each plan follows:

A. Federal Social Security System

All employees of the Town of Sunset are members of the Federal Social Security System. The Town and its employees contribute a percentage of each employee's salary to the System (7.65% contributed by the Town; 7.65% by the employee). Total covered wages for the year ended June 30, 2007 was \$536,120. The Town's contribution during the year ended June 30, 2007 amounted to \$41,013.

B. Municipal Employees' Retirement System of Louisiana System

Eligible employees of the Town participate in the Municipal Employees' Retirement System, which is a cost-sharing, multiple-employer defined benefit public employee retirement system. The plan is controlled and administered by a separate board of trustees. Pertinent information relative to the plan follows:

Plan Description - The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan A.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final-average salary for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3% for each year retirement precedes age 62, unless he has at least 30 years of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

## TOWN OF SUNSET, LOUISIANA

### Notes to Basic Financial Statements (Continued)

The system issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809 or by calling (504) 925-4810.

Funding policy – Under Plan A, members are required by state statute to contribute 9.25% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 16.25% of annual covered payroll. Contributions to the System also include one-fourth of 1% (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the System under Plan A for the years ending June 30, 2007, 2006, and 2005 were \$36,366, \$14,388, and \$13,435 respectively, equal to the required contributions for each year.

#### C. Municipal Police Employees' Retirement System of Louisiana (System)

Eligible employees of the Town participate in the Municipal Police Employees' Retirement System, which is a cost-sharing, multiple-employer defined benefit public employee retirement system. The plan is controlled and administered by a separate board of trustees. Pertinent information relative to the plan follows:

Plan description – All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees' Retirement System, 8401 United Plaza Boulevard, Room 270, Baton Rouge, Louisiana 70809-7017.

TOWN OF SUNSET, LOUISIANA

Notes to Basic Financial Statements (Continued)

Funding Policy - Plan members are required by state statute to contribute 7.5% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 15.5% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The contributions to the System for the years ending June 2007, 2006, and 2005 were \$3,175, \$13,214, and \$11,778, respectively, equal to the required contributions for each year.

(13) Segment Information for the Enterprise Fund

The Town of Sunset maintains one enterprise fund with three departments which provide water, sewerage and gas services. Segment information for the year ended June 30, 2007, was as follows:

	<u>Water Department</u>	<u>Sewerage Department</u>	<u>Gas Department</u>	<u>Total Enterprise Fund</u>
Operating revenues	<u>\$ 200,156</u>	<u>\$ 139,889</u>	<u>\$ 306,516</u>	<u>\$ 646,561</u>
Operating expenses:				
Depreciation	44,034	21,984	12,159	78,177
Other	<u>135,066</u>	<u>88,585</u>	<u>177,715</u>	<u>401,366</u>
Total operating expenses	<u>179,100</u>	<u>110,569</u>	<u>189,874</u>	<u>479,543</u>
Operating income	<u>\$ 21,056</u>	<u>\$ 29,320</u>	<u>\$ 116,642</u>	<u>\$ 167,018</u>

(14) Compensation of Town Officials

A detail of compensation paid to the Mayor and Board of Aldermen for the year ended June 30, 2007 follows:

Cecil Lavergne, Mayor	\$ 10,800
Aldermen:	
Dalton Belson	5,400
Melanie White	5,400
Charles James	5,400
Bernice Smith	5,400
Joseph Meche	<u>5,400</u>
	<u>\$ 37,800</u>

TOWN OF SUNSET, LOUISIANA

Notes to Basic Financial Statements (Continued)

(15) Pending Litigation

The Town is a defendant in a workers compensation claim filed by a former employee. Management is of the opinion that monetary damages would be minimal, in the event the Town is unsuccessful in its defense.

(16) Risk Management

The Town is exposed to risks of loss in the areas of health care, general and auto liability, property hazards and workers' compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance coverage during the year.

(17) Interfund Transactions

A. Receivables and Payables

Due to the Utility Fund from the General Fund for reimbursement for expenditures paid	\$ 19,814
Due to the General Fund from the General Obligations Fund for reimbursement for expenditures paid	<u>10,131</u>
Total	<u>\$ 29,945</u>

Summary of balances due from other funds reported in fund financial statements:

Due from other funds, Balance Sheet - Governmental Funds	\$ 10,131
Due from other funds, Statement of Net Assets - Proprietary Funds	<u>19,814</u>
	<u>\$ 29,945</u>

B. Transfers

	<u>Transfers In</u>	<u>Transfers Out</u>
Major governmental funds:		
General Fund	\$ 455,741	\$ 19,000
Sales Tax Special Revenue Fund	-	269,529
Debt Service Fund	2,400	-
Proprietary Fund:		
Enterprise Fund	-	<u>169,612</u>
Total	<u>\$ 458,141</u>	<u>\$458,141</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

TOWN OF SUNSET, LOUISIANA  
General Fund

Budgetary Comparison Schedule  
For the Year Ended June 30, 2007

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 216,500	\$ 226,500	\$ 222,234	\$ (4,266)
Licenses and permits	101,000	76,000	93,704	17,704
Intergovernmental	89,000	89,000	69,602	(19,398)
Fines and forfeits	70,000	50,000	56,747	6,747
Miscellaneous	19,000	65,700	67,866	2,166
Total revenues	<u>495,500</u>	<u>507,200</u>	<u>510,153</u>	<u>2,953</u>
<b>Expenditures:</b>				
Current -				
General government	220,649	254,649	276,770	(22,121)
Public safety:				
Police	430,300	421,900	394,316	27,584
Fire	56,900	64,900	80,824	(15,924)
Streets	182,100	222,300	209,452	12,848
Capital outlay	25,000	55,000	10,407	44,593
Total expenditures	<u>914,949</u>	<u>1,018,749</u>	<u>971,769</u>	<u>46,980</u>
Deficiency of revenues over expenditures	<u>(419,449)</u>	<u>(511,549)</u>	<u>(461,616)</u>	<u>49,933</u>
<b>Other financing sources:</b>				
Transfer from Utility Fund	220,000	230,000	167,212	(62,788)
Transfer from Sales Tax Fund	255,000	285,000	269,529	(15,471)
Total other financing sources	<u>475,000</u>	<u>515,000</u>	<u>436,741</u>	<u>(78,259)</u>
Net change in fund balance	55,551	3,451	(24,875)	(28,326)
Fund balance, beginning	<u>97,917</u>	<u>97,917</u>	<u>97,917</u>	-
Fund balance, ending	<u>\$ 153,468</u>	<u>\$ 101,368</u>	<u>\$ 73,042</u>	<u>\$(28,326)</u>

TOWN OF SUNSET, LOUISIANA  
Sales Tax Special Revenue Fund

Budgetary Comparison Schedule  
For the Year Ended June 30, 2007

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
<b>Revenues:</b>				
Taxes	\$255,000	\$270,000	\$266,550	\$ (3,450)
Miscellaneous - interest	<u>100</u>	<u>100</u>	<u>85</u>	<u>(15)</u>
Total revenues	<u>255,100</u>	<u>270,100</u>	<u>266,635</u>	<u>(3,465)</u>
<b>Expenditures:</b>				
Current -				
General government:				
Sales tax collection fees	2,550	2,550	2,681	(131)
Miscellaneous	<u>300</u>	<u>300</u>	<u>25</u>	<u>275</u>
Total expenditures	<u>2,850</u>	<u>2,850</u>	<u>2,706</u>	<u>144</u>
Excess of revenues over expenditures	252,250	267,250	263,929	(3,321)
<b>Other financing use:</b>				
Transfer to General Fund	<u>(255,000)</u>	<u>(285,000)</u>	<u>(269,529)</u>	<u>15,471</u>
Net change in fund balance	(2,750)	(17,750)	(5,600)	12,150
Fund balance, beginning	<u>22,567</u>	<u>22,567</u>	<u>22,567</u>	<u>-</u>
Fund balance, ending	<u>\$ 19,817</u>	<u>\$ 4,817</u>	<u>\$ 16,967</u>	<u>\$ 12,150</u>

**OTHER SUPPLEMENTARY INFORMATION**

TOWN OF SUNSET, LOUISIANA  
General Fund

Budgetary Comparison Schedule - Revenues  
For the Year Ended June 30, 2007

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Taxes:</b>				
Ad valorem taxes	\$ 88,000	\$ 85,000	\$ 83,269	\$ (1,731)
Franchise - electric	120,000	133,000	132,926	(74)
Franchise - telephone	6,500	6,500	4,445	(2,055)
Franchise - cable	2,000	2,000	1,594	(406)
	<u>216,500</u>	<u>226,500</u>	<u>222,234</u>	<u>(4,266)</u>
<b>Licenses and permits:</b>				
Licenses	86,000	61,000	86,116	25,116
Building permits	15,000	15,000	7,088	(7,912)
House moving and plumbing permits	-	-	500	500
	<u>101,000</u>	<u>76,000</u>	<u>93,704</u>	<u>17,704</u>
<b>Intergovernmental:</b>				
State of Louisiana -				
Racino revenue	47,000	47,000	48,976	1,976
Beer taxes	4,000	4,000	5,183	1,183
Fire insurance rebate	7,000	7,000	8,734	1,734
Grass cutting	9,000	9,000	5,425	(3,575)
State grant	15,000	15,000	1,284	(13,716)
Housing Authority	7,000	7,000	-	(7,000)
	<u>89,000</u>	<u>89,000</u>	<u>69,602</u>	<u>(19,398)</u>
<b>Fines and forfeits:</b>				
Fines and court costs	70,000	50,000	56,747	6,747
<b>Miscellaneous:</b>				
Insurance reimbursement	-	46,700	49,058	2,358
First response donations	4,000	4,000	3,627	(373)
Miscellaneous	15,000	15,000	15,181	181
	<u>19,000</u>	<u>65,700</u>	<u>67,866</u>	<u>2,166</u>
<b>Total revenues</b>	<u>\$495,500</u>	<u>\$507,200</u>	<u>\$510,153</u>	<u>\$ 2,953</u>

TOWN OF SUNSET, LOUISIANA  
General Fund

Budgetary Comparison Schedule - Expenditures  
For the Year Ended June 30, 2007

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>General government:</b>				
Salaries - mayor and council	\$ 37,800	\$ 37,800	\$ 37,800	\$ -
Other salaries	77,600	77,600	83,914	(6,314)
Payroll taxes	7,800	7,800	8,941	(1,141)
Retirement	6,000	6,000	13,857	(7,857)
Office supplies and postage	22,049	22,049	18,949	3,100
Insurance	22,000	33,000	46,691	(13,691)
Telephone and electricity	8,100	8,100	15,002	(6,902)
Travel, seminars, and conventions	8,000	11,000	10,334	666
Advertising, dues, and publications	6,000	6,000	7,853	(1,853)
Repairs and maintenance	2,200	2,200	2,876	(676)
Preparation of tax roll	1,600	1,600	1,630	(30)
Consulting	8,500	8,500	4,740	3,760
Legal and accounting	12,000	27,000	18,387	8,613
Miscellaneous	1,000	6,000	5,796	204
Total general government	<u>220,649</u>	<u>254,649</u>	<u>276,770</u>	<u>(22,121)</u>
<b>Public safety:</b>				
<b>Police department -</b>				
Salaries	254,600	244,000	251,050	(7,050)
Payroll taxes	19,000	19,000	18,370	630
Retirement	17,000	3,200	3,175	25
Office supplies and postage	7,700	7,700	10,463	(2,763)
Uniforms	3,000	3,000	1,786	1,214
Materials and repairs	4,000	4,000	3,910	90
Insurance	80,000	95,000	71,380	23,620
Telephone and electricity	11,500	11,500	8,880	2,620
Prisoner meals	1,500	1,500	1,156	344
Auto	10,000	10,000	6,372	3,628
Miscellaneous	1,000	1,000	963	37
Gasoline	15,000	16,000	11,334	4,666
Crime lab	2,500	2,500	2,612	(112)
Drug testing	1,500	1,500	969	531
Conventions and conferences	2,000	2,000	1,896	104
Total police department	<u>430,300</u>	<u>421,900</u>	<u>394,316</u>	<u>27,584</u>

(continued)

TOWN OF SUNSET, LOUISIANA  
General Fund

Budgetary Comparison Schedule - Expenditures (Continued)  
For the Year Ended June 30, 2007

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Public safety:				
Fire department -				
Salaries	19,900	19,900	23,964	(4,064)
Payroll taxes	3,100	3,100	3,734	(634)
Retirement	2,200	2,200	5,454	(3,254)
Supplies and repairs	2,500	2,500	4,791	(2,291)
Auto	2,500	2,500	8,337	(5,837)
Office expense	2,500	500	374	126
Insurance	14,000	24,000	24,016	(16)
Telephone and electricity	5,500	5,500	5,033	467
Miscellaneous	1,000	1,000	1,004	(4)
Volunteer fire department	-	-	828	(828)
Conventions and conferences	1,200	1,200	795	405
Gasoline	2,500	2,500	2,494	6
Total fire department	<u>56,900</u>	<u>64,900</u>	<u>80,824</u>	<u>(15,924)</u>
Streets:				
Salaries	86,900	89,500	88,104	1,396
Payroll taxes	6,600	6,600	6,789	(189)
Retirement	6,000	9,000	14,698	(5,698)
Materials and supplies	6,000	5,000	5,191	(191)
Uniforms	1,400	1,400	115	1,285
Repairs and maintenance	1,000	3,500	3,495	5
Miscellaneous	1,000	3,000	1,207	1,793
Shell, gravel, dirt and hot mix	2,000	6,000	5,314	686
Electricity	31,200	40,000	22,915	17,085
Grass cutting	2,000	2,000	1,955	45
Insurance	29,000	34,000	38,453	(4,453)
Tractor and backhoe	3,000	2,000	3,481	(1,481)
Gasoline and diesel	4,000	3,000	2,767	233
Animal control	-	2,500	2,857	(357)
Welding	-	1,500	1,250	250
Station	2,000	12,000	9,432	2,568
Truck	-	1,300	1,429	(129)
Total streets	<u>182,100</u>	<u>222,300</u>	<u>209,452</u>	<u>12,848</u>

(continued)

TOWN OF SUNSET, LOUISIANA  
General Fund

Budgetary Comparison Schedule - Expenditures (Continued)  
For the Year Ended June 30, 2007

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Capital outlay:				
General government -				
Gym repairs	-	30,000	-	30,000
Public safety -				
Police department equipment	10,000	10,000	1,099	8,901
Fire department equipment	15,000	15,000	9,308	5,692
Total capital outlay	<u>25,000</u>	<u>55,000</u>	<u>10,407</u>	<u>44,593</u>
Total expenditures	<u>\$ 914,949</u>	<u>\$1,018,749</u>	<u>\$971,769</u>	<u>\$ 46,980</u>

TOWN OF SUNSET, LOUISIANA  
Enterprise Fund  
Utility Fund

Departmental Analysis of Revenues and Expenses  
For the Year Ended June 30, 2007

	<u>Total</u>	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>
<b>Operating revenues:</b>				
Customer service charges	\$ 605,283	\$299,238	\$170,410	\$135,635
Miscellaneous	<u>41,278</u>	<u>7,278</u>	<u>29,746</u>	<u>4,254</u>
Total operating revenues	<u>646,561</u>	<u>306,516</u>	<u>200,156</u>	<u>139,889</u>
<b>Operating expenses:</b>				
Salaries	55,241	17,788	19,387	18,066
Payroll taxes	4,199	1,352	1,364	1,483
Retirement	7,984	1,988	4,008	1,988
Gas purchases	108,579	108,579	-	-
Maintenance and repairs	4,824	2,478	2,071	275
Telephone and electricity	82,477	2,836	36,504	43,137
Legal and accounting fees	12,010	2,046	7,918	2,046
Engineering fees	12,973	-	7,420	5,553
Insurance	21,265	4,660	11,409	5,196
Office expense	6,922	2,438	3,269	1,215
Auto expense	4,901	831	1,389	2,681
Supplies and parts	30,057	4,929	24,140	988
Meter reading expense	17,324	8,662	8,662	-
Survey and analysis	8,004	4,825	-	3,179
Bad debts	19,487	12,425	5,290	1,772
Depreciation	78,177	12,159	44,034	21,984
Miscellaneous	<u>5,119</u>	<u>1,878</u>	<u>2,235</u>	<u>1,006</u>
Total operating expenses	<u>479,543</u>	<u>189,874</u>	<u>179,100</u>	<u>110,569</u>
Operating income (loss)	<u>167,018</u>	<u>\$116,642</u>	<u>\$ 21,056</u>	<u>\$ 29,320</u>
<b>Nonoperating revenues (expenses):</b>				
Interest income	1,882			
Interest expense	<u>(9,807)</u>			
Total nonoperating revenues (expenses)	<u>(7,925)</u>			
Income before contributions and transfers	159,093			
Capital contributions	158,481			
Transfers out	<u>(169,612)</u>			
Change in net assets	147,962			
Net assets, beginning	<u>995,698</u>			
Net assets, ending	<u>\$1,143,660</u>			

**INTERNAL CONTROL  
AND  
COMPLIANCE**

# KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES

C. Burton Kolder, CPA\*  
Russell F. Champagne, CPA\*  
Victor R. Slaven, CPA\*  
P. Troy Courville, CPA\*  
Gerald A. Thibodeaux, Jr., CPA\*  
Robert S. Carter, CPA\*  
Arthur R. Nixon, CPA\*

183 South Beadle Rd.  
Lafayette, LA 70508  
Phone (337) 232-4141  
Fax (337) 232-8660

Tynes E. Nixon, Jr., CPA  
Allen J. LaBry, CPA  
Albert R. Leger, CPA, PFS, CSA\*  
Penny Angelle Scroggins, CPA  
Christine L. Cousin, CPA  
Mary T. Thibodeaux, CPA  
Marshall W. Guidry, CPA  
Alan M. Taylor, CPA  
James R. Roy, CPA  
Robert J. Metz, CPA  
Kelly M. Doucet, CPA  
Cheryl L. Bartley, CPA, CVA  
Mandy B. Self, CPA  
Paul L. Delcambre, Jr. CPA

113 East Bridge St.  
Breaux Bridge, LA 70517  
Phone (337) 332-4020  
Fax (337) 332-2867

133 East Waddell St.  
Marksville, LA 71351  
Phone (318) 253-9252  
Fax (318) 253-8681

1234 David Dr. Ste 203  
Morgan City, LA 70380  
Phone (985) 384-2020  
Fax (985) 384-3020

408 West Cotton Street  
Ville Platte, LA 70588  
Phone (337) 363-2792  
Fax (337) 363-3049

332 West Sixth Avenue  
Oberlin, LA 70655  
Phone (337) 639-4737  
Fax (337) 639-4568

200 South Main Street  
Abbeville, LA 70510  
Phone (337) 893-7944  
Fax (337) 893-7946

450 East Main Street  
New Iberia, LA 70560  
Phone (337) 367-9204  
Fax (337) 367-9208

1013 Main Street  
Franklin, LA 70538  
Phone (337) 828-0272  
Fax (337) 828-0290

Retired:  
Conrad O. Chapman, CPA\* 2008  
Harry J. Costello, CPA 2007

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

WEB SITE:  
[WWW.KCSRCPAS.COM](http://WWW.KCSRCPAS.COM)

\* A Professional Accounting Corporation

The Honorable Cecil Lavergne, Mayor  
and Members of the Board of Aldermen  
Town of Sunset, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sunset, Louisiana (the Town) as of and for the year ended June 30, 2007, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 5, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be a significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely effects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying summary schedule of current and prior year audit findings and corrective action plan as items 07-1(IC) and 06-A1 to be significant deficiencies in internal control over financial reporting.

Member of:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

Member of:  
SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of management and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Lafayette, Louisiana  
December 5, 2007

TOWN OF SUNSET, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings  
and Corrective Action Plan  
Year Ended June 30, 2007

Fiscal Year Finding Initially Occurred	Description of finding	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
07-1(IC) CURRENT YEAR (6/30/07) --	The Town does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.	The Town has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.	Cassandra Ardoin, Town Clerk	N/A
06-A1 CURRENT YEAR (6/30/07) --	The Town of Sunset has not prepared and adopted written policies and procedures governing its operations and accounting activities in accordance with guidelines set forth by the Louisiana Legislative Auditor.	The Town prepared and adopted written policies and procedures governing its operations and accounting activities at the December 2007 Town meeting.	Cassandra Ardoin, Town Clerk	12/31/2007

Compliance:

There are no current year compliance findings.

(continued)

TOWN OF SUNSET, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings  
and Corrective Action Plan (Continued)  
Year Ended June 30, 2007

<u>Ref. No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of finding</u>	<u>Corrective Action Taken</u>
<u>PRJOR YEAR (6/30/06) --</u>			
<u>Internal Control:</u>			
06-A1	06/30/06	The Town of Sunset has not prepared and adopted written policies and procedures governing its operations and accounting activities in accordance with guidelines set forth by the Louisiana Legislative Auditor.	NO
06-A2	06/30/06	The mayor reestablished a credit card in the name of the Town and the previous mayor. This was done without the knowledge or consent of the previous mayor.	YES
06-A3	06/30/06	Documentation for travel and convention charges are either inadequate or improper. The Town experienced significant budget overruns in the area of travel.	YES
06-A4	06/30/06	The Town's payroll account had not been reconciled for the entire year.	YES

(continued)

TOWN OF SUNSET, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings  
and Corrective Action Plan (Continued)  
Year Ended June 30, 2007

<u>Ref. No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of finding</u>	<u>Corrective Action Taken</u>
PRIOR YEAR (6/30/06) --			
<u>Compliance:</u>			
06-B1	06/30/06	Bids were not obtained prior to purchases exceeding \$20,000.	YES
06-B2	06/30/06	The Town failed to obtain competitive price quotes for equipment/vehicle purchases between \$10,000 and \$20,000.	YES
06-B3	06/30/06	The Town did not adopt detailed procedures for preparing, adopting, monitoring and amending the budget. The budget was not amended prior to fiscal year end.	YES
06-B4	06/30/06	A mileage log was not maintained for the mayor's use of a town vehicle, nor was a fringe benefit added as income to the employee's W-2 statement.	YES